



**Default Prevention: You Are The Key!**

**August 1, 2002**



**FSA**  
FEDERAL  
STUDENT AID

*We Help Put America Through School*



# ***Default Prevention through Innovation and Partnership***

**Marilyn Landrum**  
**MOSTARS**





# ***Agenda***

- Why?
- Who?
- What?



# ***Default Management Plan***

- Getting “buy in” is 90 percent of the battle
- Develop your plan via the team approach
  - Representatives from each office
  - Senior administration & middle management
  - Faculty & student representative
- Identify & allocate resources for plan



# ***Default Management Plan***

- Define default management evaluation methods
- Establish data collection
- Establish goals & objectives



# ***Purpose***

- Protect students
  - Consequences of default
  - Ability to pay for their children's education



# ***Purpose***

- Manage default rate
  - Schools
    - Benefits for low cohort default rates
    - Sanctions for high cohort default rates
  - Lenders (schools may choose “preferred” lenders based on default rates)
- Protect the economy
  - Cost of default claims in FFY 1999: \$25 billion
  - Future spending power of today’s borrowers



# ***Who Defaults?***

- Borrowers with excessive consumer and student loan debt
- Borrowers who withdraw
  - First-generation students
- Borrowers with multiple loan holders/guarantors





# ***Financial Literacy***

- Education
  - Personal finance
  - Credit cards
  - Alternative loans
- Partnerships
  - Lenders & secondary markets
  - Guarantors
  - Local, non-profit consumer credit counseling agencies



# ***Financial Literacy***

- Compare estimated income with estimated expenses
- Determine monthly student loan payments
- Determine if income will be sufficient
- Offer money management as part of senior seminar



# ***Financial Literacy***

- Reduce spending (non-discretionary vs. discretionary expenses)
- Discuss consumer (e.g., credit card) debt



# ***Student Retention***

- 16.99 percent of borrowers who withdraw default
- 4.24 percent of borrowers who complete their degree or remain continuously enrolled for eight semesters default



# ***Student Retention***

- Students make the decision to leave school within three to four weeks
  - Subconscious or conscious decision
  - Need institutional “velcro” to touch & hold the students immediately (create affiliation)



# ***Persistence***

- Financial aid counseling
- Career counseling
- Academic counseling
- Personal counseling



# ***Academic Counseling***

- Advising
- Tutoring
- Study & time-management counseling
- Supplemental course instruction



# ***Personal Counseling***

- Goal setting
- Stress reduction
- Problem solving
- Community resource information





# ***Student Retention Partnerships***

- Financial Aid Office
- Admissions Office
- Student Retention/Student Support



# ***Pre-Entrance Counseling***

- Review NSLDS first to determine past borrowing
  - Loan holder & guarantor
  - Current debt plus projected debt
    - Monthly payment
    - Salary (hourly & annual)
    - Total debt



# ***Default Prevention Tool***

mapping-your-future.org

- Entrance & exit counseling
- Budget calculator
- 10 Steps to Financial Fitness
- Deferment Navigator
- Loan forgiveness charts
- Locating Your Loans page
- All features address FFEL  
and Perkins Loans



## **Contact Us**

We appreciate your feedback and comments. We can be reached:

Phone: 573-522-6285, 800-473-6757

Fax: 573-751-6635

Email: [marilyn.landrum@mocbhe.gov](mailto:marilyn.landrum@mocbhe.gov)